

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Clinton</u>	County Macomb
Audit Date March 31, 2004	Opinion Date July 9, 2004	Date Accountant Report Submitted To State: September 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address 10 South Main Street, Suite 200	City Mt. Clemens	State MI	ZIP 48043
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

# **Charter Township of Clinton Macomb County, Michigan**

---

**Financial Report  
with Supplemental Information  
March 31, 2004**

# Charter Township of Clinton

---

## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-9
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11-12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of Fund Balances to the Statement of Net Assets	14
Statement of Revenue, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Funds:	
Statement of Net Assets	17
Statement of Revenue, Expenses, and Changes in Net Assets	18
Statement of Cash Flows	19
Fiduciary Funds:	
Statement of Net Assets	20
Statement of Changes in Net Assets	21
Component Units:	
Statement of Net Assets	22
Statement of Activities	23-24
Notes to Financial Statements	25-55
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule - General Fund	56
Budgetary Comparison Schedule - Major Special Revenue Fund	57
Pension System Schedule of Funding Progress	58
Note to Required Supplemental Information	59

# Charter Township of Clinton

---

## Contents (Continued)

### Other Supplemental Information

#### Nonmajor Governmental Funds:

Combining Balance Sheet	60-61
-------------------------	-------

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	62-63
--	-------

#### Fiduciary Funds:

Combining Statement of Net Assets	64
-----------------------------------	----

Combining Statement of Changes in Net Assets	65
--	----



**Plante & Moran, PLLC**  
Suite 200  
10 S. Main St.  
Mount Clemens, MI 48043  
Tel: 586.465.2200  
Fax: 586.469.0165  
plantemoran.com

## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton, as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Clinton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Clinton as of March 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedules, and pension system schedule of funding progress (as identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



A worldwide association of independent accounting firms

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Clinton's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 13, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2004 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

July 9, 2004

# Charter Township of Clinton

## Management's Discussion and Analysis

### Introduction

This discussion and analysis is included with the Charter Township of Clinton's financial report to provide an overview of the Township's financial activities for the fiscal year ended March 31, 2004. Please read it in conjunction with the Township's financial statements.

### Overview of this Annual Report

The basic financial statements that follow consist of two series of financial statements and a section entitled notes to financial statements. The notes section is to be read in conjunction with and is an integral part of each financial statement included within both series.

The first and shorter of this series provides information about the activities of the Charter Township of Clinton on a government-wide basis. The statements in this series consist of a statement of net assets and a statement of activities. This entire series is presented on pages 10-12. These statements, which are presented for the first time, are presented on a full accrual basis which is designed to present a longer-term view of the Township's finances. Unlike financial statements prepared in prior years, all activities reflected in these statements reflect the Township's investment in capital assets net of depreciation as an asset, noncurrent liabilities as liabilities, and the current period's depreciation as an expenditure. The second of these two series is presented on pages 13-24. This series consists of the more traditional fund-based financial statements. It is grouped by governmental funds, proprietary funds, fiduciary funds, and component units. These statements are prepared very similar to prior years and illustrate how the services provided by the Township were financed in the short term. Additionally, these fund financial statements report the Township's operations in more detail than the government-wide financial statements.

### Government-wide Financial Statements

In a condensed format, the following table shows the comparison of net assets (in thousands) as of March 31, 2004 from the prior year:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current assets	\$ 38,808.8	\$ 42,652.5	\$ 23,391.3	\$ 27,249.4	\$ 62,200.1	\$ 69,901.9
Noncurrent assets:						
Restricted assets	-	-	1,304.0	1,304.0	1,304.0	1,304.0
Special assessments	-	-	591.9	-	591.9	-
Capital assets	31,499.0	27,881.9	105,258.7	101,487.0	136,757.7	129,368.9
Total assets	70,307.8	70,534.4	130,545.9	130,040.4	200,853.7	200,574.8
Current liabilities	4,034.6	2,178.5	4,772.0	5,859.9	8,806.6	8,038.5
Long-term liabilities	25,229.2	27,702.2	24,925.3	26,419.9	50,154.5	54,122.1
Total liabilities	29,263.8	29,880.7	29,697.3	32,279.8	58,961.1	62,160.5

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Net assets:						
Invested in capital assets - Net of related debt	\$ 12,672.8	\$ 11,053.7	\$ 78,615.0	\$ 75,184.6	\$ 91,287.8	\$ 86,238.2
Restricted	11,884.0	10,933.8	3,184.5	3,144.1	15,068.5	14,078.0
Unrestricted	16,487.2	18,666.2	19,049.1	19,431.9	35,536.2	38,098.1
Total net assets	<u>\$ 41,044.0</u>	<u>\$ 40,653.7</u>	<u>\$ 100,848.6</u>	<u>\$ 97,760.6</u>	<u>\$ 141,892.6</u>	<u>\$ 138,414.3</u>

Total net assets related to the Township's governmental activities increased by approximately \$390,000. However, the unrestricted portion of net assets decreased by approximately \$2,179,000. This decrease resulted in part from the construction of Fire Station 5. Net assets invested in capital assets net of related debt increased by approximately \$1,619,000 also primarily as a result of the construction of Fire Station 5 and the purchase of fire apparatus.

The following table shows the changes in net assets (in thousands of dollars) during the year ended March 31, 2004:

	Governmental Activities	Business-type Activities	Total
<b>Revenue</b>			
Program revenue:			
Charges for services	\$ 5,211.8	\$ 25,386.7	\$ 30,598.5
Operating grants and contributions	1,135.9	9.1	1,145.1
Capital grants and contributions	12.7	55.4	68.1
General revenue:			
Property taxes	28,055.5	-	28,055.5
State-shared revenue	8,286.0	-	8,286.0
Interest	389.7	307.3	697.0
Gain on sale of assets	116.1	-	116.1
Miscellaneous	1,200.9	-	1,200.9
Income from joint ventures	-	806.5	806.5
Total revenue	44,408.6	26,565.0	70,973.6



# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

	Governmental Activities	Business-type Activities	Total
<b>Program Expenses</b>			
General government	\$ 5,465.8	\$ -	\$ 5,465.8
Public safety	29,135.2	-	29,135.2
Public works	4,045.1	-	4,045.1
Recreation and culture	1,919.2	-	1,919.2
41st District Court	2,360.2	-	2,360.2
Interest on long-term debt	1,074.7	-	1,074.7
Water and sewer	-	17,200.7	17,200.7
Senior housing	-	1,327.6	1,327.6
Sanitation	-	4,601.9	4,601.9
Special assessments	-	365.0	365.0
Total program expenses	44,000.2	23,495.2	67,495.4
<b>Change in Net Assets - Before transfers</b>	408.4	3,069.8	3,478.2
<b>Transfers</b>	(18.2)	18.2	-
<b>Change in Net Assets</b>	390.1	3,088.0	3,478.2
<b>Net Assets - Beginning of year</b>	40,653.7	97,760.6	138,414.3
<b>Net Assets - End of year</b>	<u>\$ 41,043.9</u>	<u>\$ 100,848.6</u>	<u>\$ 141,892.5</u>

State-shared revenue, our second largest source of general governmental revenues, continued to be reduced by the State of Michigan. The State reduced this revenue source by approximately \$1,310,000 from the amount they originally projected the Township would receive at the time our budget was drafted. The Township reacted by carefully cutting expenditures and by leaving all but the most critical jobs vacant, resulting in a net asset increase of \$390,200.

Governmental activities include those activities accounted for in the following funds:

General Fund	Fire Fund
Capital Improvement Revolving Fund	Drainage Fund
Community Development Block Fund	Postemployment Benefit Fund
Drug Forfeiture Fund	Street Lighting Fund
Building Authority	Police Facility Debt Service Fund
Fire Facility Capital Projects Fund	

Such activities include those of the Township's police and fire departments, public works, recreation, building, and planning and assessing departments. Also included are the 41B District Court and administrative departments.

# **Charter Township of Clinton**

## **Management's Discussion and Analysis (Continued)**

Property taxes are the primary source of revenue for these governmental activities, providing approximately 63 percent of the total. State-shared revenue provides another 18 percent, user charges and grants provide 14 percent, leaving just 5 percent being provided by all other sources.

Until the 2002-2003 fiscal year, the Township's governmental activities enjoyed decades of financial prosperity with annual revenues normally exceeding expenditures. During the 2002-2003 and 2003-2004 fiscal years, however, the Township was affected by a national economic downturn and State of Michigan budget shortfalls that exceeded \$1 billion.

Specific details of how these economic conditions affected specific Township funds can be found in the fund-based financial statements section, which follows.

Business-type activities are accounted for in the Township's Water and Sewer, Sanitation, Senior Housing, and Special Assessment Funds.

The Township's Water and Sewer Fund's financial performance has been sound for decades. The Township purchases 99 percent of its water from the City of Detroit and sewage treatment services are also provided by the City of Detroit through an operating agreement with the County of Macomb. The Township has adopted the policy of annually reviewing its water and sewer rates and passing along cost increases, including increases received from Detroit, to its customers. Despite this policy, the Township maintains water and sewer rates that are very competitive with neighboring communities. The system has enjoyed steady growth, ongoing and aggressive maintenance, and sound coverage of its debt.

Highlights related to other business-type activity funds can be found in the fund-based financial statements section, which follows.

### **Fund-based Financial Statements**

The fund-based financial statements provide detailed information about individual significant funds created by the Township to help segregate money for specific purposes as well as to show accountability for certain activities. While the government-wide financial statements attempt to give the reader a simple overview of the Township's finances, to achieve a more complete understanding it is necessary to consider matters such as tax assessments or fund balances that are restricted, either by law or policy, to certain activities or funds. Users of this financial report will best achieve this understanding from the fund-based statements.

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

### Financial and Budgetary Highlights

**General Fund** - When preparing the 2004 budget and over the course of the year, the Township Board and administration had to monitor and amend the budget to respond to events that were occurring related to national and state-wide economic factors. Most notable of these were a decrease in state-shared revenue, a continued low interest rate on investments, and two consecutive annual health care cost increases of approximately 17 percent each. The following table shows the annual and cumulative reductions in state-shared revenue received by the Township subsequent to the year ended March 31, 2002, the year such revenue peaked:

	Year Ended March 31, 2003	Year Ended March 31, 2004	Cumulative Reduction
Actual state-shared revenue received during the year ended March 31, 2002	\$ 10,196,194	\$ 10,196,194	
Subsequent year state-shared revenue received	9,016,149	8,285,959	
Decrease from state-shared revenue received during the year ended March 31, 2002	\$ 1,180,045	\$ 1,910,235	\$ 3,090,280

In addition, during the upcoming year ending March 31, 2005, state-shared revenue is anticipated to drop further, to \$8,160,000. This would bring the cumulative reductions since the year ended March 31, 2002 to over \$5,100,000.

In addition, interest earned on cash balances invested has been another area where revenue has shown a shortfall. Interest earnings is a particularly important revenue item for the Township since its largest revenue source, property tax, is collected once each year during a relatively short period of time. These collections are then invested and gradually drawn down over the ensuing 12 months. During the fiscal year ended March 31, 2001, the General Fund earned interest totaling \$1,076,000. During the following fiscal years, interest earnings have missed that mark by the following amounts: 2002 - \$613,000; 2003 - \$777,000; and 2004 - \$894,000. This results in another cumulative reduction of nearly \$2,300,000.

The General Fund includes the activities of the Township's police department. Even though the Police Department is primarily funded by a dedicated millage, that millage and other dedicated police revenue fall far short of covering operations - \$2,650,000 during the 2004 fiscal year. This shortage has historically been covered by a subsidy using other non-dedicated revenue, primarily state-shared revenue. The problem the Township needs to address is that, if left unchecked, the required subsidy will grow rapidly while funding sources diminish. As a matter of fact, the 2005 budget shows the Police Department requiring a subsidy of \$3,268,000.

# Charter Township of Clinton

## Management's Discussion and Analysis (Continued)

**Fire Fund** - The Fire Fund and the General Fund are the two major governmental funds of the Township. The Township Fire Department has historically been funded by a 4 mill special assessment operating levy subsidized from other General Fund sources. During the 2003 fiscal year, the Township voters approved 1 mill for fire operations. This mill was approved for a 20-year period. This mill was first levied on January 1, 2003, and is subject to both the Truth in Taxation and Headlee rollbacks. As a result of those rollbacks, the January 1, 2004 levy was reduced to 0.9773 mills and the 2005 levy is expected to be 0.9531 mills.

Prior to the 2003 fiscal year, the fire activity was included in the General Fund. As a result of the new millage discussed above, there became a need to provide a method to account for fire revenue carried over from one year to the next and the fire activity was moved to its own fund.

The Fire Department has undertaken projects to expand to a fifth station and to rebuild the oldest station, Station 1. To fund these projects and provide for needed equipment, the Township issued \$8,500,000 of general obligation bonds. The proceeds from these bonds were placed in the Fire Facility Fund, a nonmajor Capital Projects Fund, and are being used to pay the related construction and equipment costs. As of March 31, 2004, Station 5 construction is substantially complete and the demolition and reconstruction of Station 1 is just about to begin.

**Senior Housing Fund** - The Senior Housing Fund accounts for the operation of Heritage Estates, a 312-unit apartment complex. The Township has contracted with an outside management company to act as a leasing agent and oversee daily operations, including an activity center for use by tenants.

The apartment complex is designed primarily for independent, middle income seniors. The complex includes 186 one-bedroom and 126 two-bedroom apartments with monthly rent currently set at \$450 and \$530, respectively.

Operations of this complex are not subsidized from any other Township sources.

**Sanitation Fund** - The Sanitation Fund accounts for the collection and disposal of trash, recyclables, and compost materials. Except for the billing of customers, virtually all sanitation activity is completed by outside contractors. Although all residential commercial and industrial customers have the option of opting out of the municipal system, this option has generally not been taken by residential customers but has been increasingly used by business customers.

Currently, single-family sanitation customers pay \$10.50 per month. Residential customers pay approximately 75 percent of total rubbish charges collected. The rates Clinton Township charges have not been adjusted since February 1, 2001.

The Sanitation Fund had an operating loss during this fiscal year of \$560,519. This operating loss equals approximately 14 percent of revenue. Offsetting this during the current year was an increase in the value of the Township's equity in the Grosse Pointes Clinton Authority. This Authority is a joint venture between Clinton Township and certain nearby communities that had been operating an incinerator that has been closed and dismantled in recent months.

# **Charter Township of Clinton**

## **Management's Discussion and Analysis (Continued)**

### **Capital Asset and Debt Administration**

The Township's investment in capital assets devoted to its governmental activities increased by approximately \$3,600,000 during the fiscal year. This increase resulted primarily from the construction of Fire Station 5, which was financed from approximately half the proceeds of \$8,500,000 of General Obligation Fire Building Bonds issued during the previous fiscal year. As of the end of the fiscal year, the Township remained committed to the demolition and rebuilding of Fire Station 1, using the remainder of these bond proceeds. No long term bonded indebtedness was entered into during 2004.

At March 31, 2004, the Township had \$136,757,645, net of accumulated depreciation, invested in a broad range of capital assets including buildings, vehicles, equipment, and water and sewer lines.

# Charter Township of Clinton

## Statement of Net Assets March 31, 2004

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>Assets</b>				
Cash and investments (Note 2)	\$ 34,029,157	\$ 19,376,826	\$ 53,405,983	\$ 210,521
Receivables:				
Customers	22,683	2,804,159	2,826,842	-
Taxes - Net of reserve for uncollectible taxes	1,510,414	-	1,510,414	1,400
Interest	27,843	-	27,843	-
Special assessments - Current	-	339,784	339,784	-
Other	481,543	16,671	498,214	13,400
Due from other governmental units:				
Component units	2,955	-	2,955	-
Other	1,475,448	279,211	1,754,659	-
Internal balances (Note 4)	866,702	(866,702)	-	-
Investment in joint venture	-	1,249,884	1,249,884	-
Inventories	-	144,145	144,145	-
Prepaid costs and other	392,058	47,296	439,354	-
Restricted assets (Notes 2 and 6)	-	1,304,000	1,304,000	-
Special assessments - Net of current portion	-	591,935	591,935	-
Capital assets:				
Not depreciated (Note 3)	2,907,036	7,878,843	10,785,879	-
Depreciated - Net (Note 3)	28,591,949	97,379,817	125,971,766	-
Total assets	70,307,788	130,545,869	200,853,657	225,321
<b>Liabilities</b>				
Vouchers payable	832,828	1,614,348	2,447,176	296
Accrued and other liabilities	1,048,779	785,295	1,834,074	750
Due to other governmental units - Primary government	-	-	-	2,955
Deferred revenue	157,147	-	157,147	-
Refundable bonds and deposits	-	653,955	653,955	-
Noncurrent liabilities (Note 5):				
Due within one year	1,995,847	1,718,352	3,714,199	-
Due in more than one year	25,229,248	24,925,291	50,154,539	-
Total liabilities	29,263,849	29,697,241	58,961,090	4,001
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	12,672,762	78,615,017	91,287,779	-
Restricted:				
Fire department services	10,783,045	-	10,783,045	-
Street light services	516,035	-	516,035	-
Drug forfeiture activities	222,745	-	222,745	-
Sanitation services	-	1,339,249	1,339,249	-
Construction	-	221,478	221,478	-
Debt service	362,201	319,796	681,997	-
Bond covenants (Note 6)	-	1,304,000	1,304,000	-
Unrestricted	16,487,151	19,049,088	35,536,239	221,320
Total net assets	\$ 41,043,939	\$ 100,848,628	\$ 141,892,567	\$ 221,320

# Charter Township of Clinton

	Expenses	Program Revenues		
		Charges for	Operating Grants and Contributions	Capital Grants and Contributions
		Services		
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 5,465,811	\$ 1,273,172	\$ 838,016	\$ -
Public safety	29,135,158	571,323	252,196	12,728
Public works	4,045,057	898,442	-	-
Recreation and senior activities	1,919,184	397,335	-	-
41B District Court	2,360,165	2,071,507	45,724	-
Interest on long-term debt	1,074,734	-	-	-
Total governmental activities	44,000,109	5,211,779	1,135,936	12,728
Business-type activities:				
Water and sewer	17,200,730	19,518,763	9,029	-
Senior housing	1,327,642	1,826,742	-	-
Sanitation	4,601,861	4,041,242	-	-
Special assessments	364,955	-	-	55,400
Total business-type activities	23,495,188	25,386,747	9,029	55,400
Total primary government	<u>\$ 67,495,297</u>	<u>\$ 30,598,526</u>	<u>\$ 1,144,965</u>	<u>\$ 68,128</u>
Component units:				
Economic Development Corporation	\$ 9,511	\$ -	\$ 1,178	\$ -
Downtown Development Authority	3,257	-	-	-
Total component units	<u>\$ 12,768</u>	<u>\$ -</u>	<u>\$ 1,178</u>	<u>\$ -</u>

General revenues:  
 Property taxes  
 State-shared revenues  
 Interest and investment earnings  
 Gain on sale of fixed assets  
 Income from joint ventures  
 Miscellaneous  
 Transfers

Total general revenues

## Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Statement of Activities**  
**Year Ended March 31, 2004**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (3,354,623)	\$ -	\$ (3,354,623)	\$ -
(28,298,911)	-	(28,298,911)	-
(3,146,615)	-	(3,146,615)	-
(1,521,849)	-	(1,521,849)	-
(242,934)	-	(242,934)	-
(1,074,734)	-	(1,074,734)	-
(37,639,666)	-	(37,639,666)	-
-	2,327,062	2,327,062	-
-	499,100	499,100	-
-	(560,619)	(560,619)	-
-	(309,555)	(309,555)	-
-	1,955,988	1,955,988	-
(37,639,666)	1,955,988	(35,683,678)	-
-	-	-	(8,333)
-	-	-	(3,257)
-	-	-	(11,590)
28,055,450	-	28,055,450	22,446
8,285,959	-	8,285,959	-
389,691	307,318	697,009	7,132
116,085	-	116,085	-
-	806,505	806,505	-
1,200,934	-	1,200,934	18,902
(18,228)	18,228	-	-
38,029,891	1,132,051	39,161,942	48,480
390,225	3,088,039	3,478,264	36,890
40,653,714	97,760,589	138,414,303	184,430
<b>\$ 41,043,939</b>	<b>\$ 100,848,628</b>	<b>\$ 141,892,567</b>	<b>\$ 221,320</b>



# Charter Township of Clinton

## Governmental Funds Balance Sheet March 31, 2004

	General Fund	Fire Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 2)	\$ 13,035,478	\$ 10,052,588	\$ 10,941,091	\$ 34,029,157
Receivables:				
Taxes	760,271	645,398	104,745	1,510,414
Customers	-	-	22,683	22,683
Interest	21,574	-	6,269	27,843
Other	275,293	92,202	114,048	481,543
Due from other funds (Note 4)	1,131,224	84,991	7,000	1,223,215
Due from other governmental units:				
Component units	2,955	-	-	2,955
Other	1,329,996	30,691	114,761	1,475,448
Prepaid costs and other	392,058	-	-	392,058
<b>Total assets</b>	<b>\$ 16,948,849</b>	<b>\$ 10,905,870</b>	<b>\$ 11,310,597</b>	<b>\$ 39,165,316</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Vouchers payable	\$ 268,842	\$ 32,974	\$ 531,012	\$ 832,828
Accrued and other liabilities	336,847	89,851	1,500	428,198
Due to other funds (Note 4)	233,303	-	123,210	356,513
Deferred revenue	157,147	-	-	157,147
<b>Total liabilities</b>	<b>996,139</b>	<b>122,825</b>	<b>655,722</b>	<b>1,774,686</b>
<b>Fund Balances</b>				
Reserved for prepaid costs	300,197	-	-	300,197
Unreserved:				
Designated (Note 9)	15,652,513	-	1,813,606	17,466,119
Undesignated, reported in:				
Special Revenue Funds	-	10,783,045	3,627,435	14,410,480
Debt Service Funds	-	-	362,201	362,201
Capital Projects Funds	-	-	4,851,633	4,851,633
<b>Total fund balances</b>	<b>15,952,710</b>	<b>10,783,045</b>	<b>10,654,875</b>	<b>37,390,630</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,948,849</b>	<b>\$ 10,905,870</b>	<b>\$ 11,310,597</b>	<b>\$ 39,165,316</b>

# Charter Township of Clinton

## **Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended March 31, 2004**

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 37,390,630</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	31,498,985
Accrued workers' compensation liability not reported in the governmental funds	(543,828)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Notes and bonds payable	(23,780,134)
Compensated absences	(3,444,961)
Accrued interest payable is not included as a liability in the governmental funds	(76,753)
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 41,043,939</u></b>

# Charter Township of Clinton

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2004

	Major Funds		Other	Total
	General	Fire	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Revenue</b>				
Property taxes	\$ 14,456,444	\$ 12,365,592	\$ 1,515,025	\$ 28,337,061
Licenses and permits	1,080,157	-	-	1,080,157
Special assessments	-	-	175,800	175,800
Federal sources	176,920	30,691	453,126	660,737
State sources	8,658,624	-	-	8,658,624
Interest	182,244	47,045	160,402	389,691
Fines and forfeitures	2,117,231	-	-	2,117,231
Other revenue	3,835,943	168,458	982,350	4,986,751
Total revenue	30,507,563	12,611,786	3,286,703	46,406,052
<b>Expenditures</b>				
Current:				
General government	6,044,217	-	692,248	6,736,465
Public safety	17,218,322	11,104,870	4,654,368	32,977,560
Public works	3,597,155	-	383,662	3,980,817
Recreation and senior activities	1,694,240	-	323,052	2,017,292
District Court	2,343,392	-	-	2,343,392
Debt service:				
Principal	-	484,289	655,223	1,139,512
Interest	-	344,004	769,952	1,113,956
Total expenditures	30,897,326	11,933,163	7,478,505	50,308,994
<b>Excess of Revenue Over (Under) Expenditures</b>	(389,763)	678,623	(4,191,802)	(3,902,942)
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 4)	-	163,964	372,485	536,449
Transfers out (Note 4)	(327,376)	(45,109)	(182,192)	(554,677)
Total other financing sources (uses)	(327,376)	118,855	190,293	(18,228)
<b>Net Change in Fund Balances</b>	(717,139)	797,478	(4,001,509)	(3,921,170)
<b>Fund Balances - Beginning of year</b>	16,669,849	9,985,567	14,656,384	41,311,800
<b>Fund Balances - End of year</b>	<u>\$ 15,952,710</u>	<u>\$ 10,783,045</u>	<u>\$ 10,654,875</u>	<u>\$ 37,390,630</u>

# Charter Township of Clinton

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2004**

**Net Change in Fund Balances - Total Governmental Funds** \$ (3,921,170)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (1,801,973)	
Capital outlay	<u>5,787,712</u>	3,985,739

Proceeds from the sale of capital assets are reported as revenue in the governmental funds; in the statement of activities, the gain on sale of capital assets is reported (298,677)

Interest expense is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid 39,222

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 1,139,509

Increase in accumulated workers' compensation is recorded when earned in the statement of activities (222,203)

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (332,195)

**Change in Net Assets of Governmental Activities** \$ 390,225

# Charter Township of Clinton

## Proprietary Funds Statement of Net Assets March 31, 2004

	Major Funds				Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessments	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents (Note 2)	\$ 17,086,446	\$ 794,119	\$ -	\$ 1,496,261	\$ 19,376,826
Receivables:					
Customers	1,909,057	-	895,102	-	2,804,159
Special assessments	-	-	-	339,784	339,784
Other	16,671	-	-	-	16,671
Investment in joint venture	-	-	1,249,884	-	1,249,884
Due from other funds (Note 4)	212,942	-	541,350	-	754,292
Due from other governmental units - Other	236,612	-	-	42,599	279,211
Inventories	144,145	-	-	-	144,145
Prepaid costs	47,296	-	-	-	47,296
Total current assets	19,653,169	794,119	2,686,336	1,878,644	25,012,268
Noncurrent assets:					
Restricted assets (Notes 2 and 6)	1,304,000	-	-	-	1,304,000
Special assessments - Net of current portion	-	-	-	591,935	591,935
Capital assets - Net (Note 3)	93,183,555	12,027,275	-	47,830	105,258,660
Total noncurrent assets	94,487,555	12,027,275	-	639,765	107,154,595
Total assets	114,140,724	12,821,394	2,686,336	2,518,409	132,166,863
<b>Liabilities</b>					
Current liabilities:					
Vouchers payable	1,274,699	-	339,649	-	1,614,348
Accrued and other liabilities	545,768	237,142	-	2,385	785,295
Due to other funds (Note 4)	548,350	576	1,007,438	64,630	1,620,994
Current portion of long-term debt (Note 5)	648,847	589,505	-	480,000	1,718,352
Total current liabilities	3,017,664	827,223	1,347,087	547,015	5,738,989
Noncurrent liabilities:					
Security deposits payable	474,335	144,500	-	35,120	653,955
Long-term debt - Net of current portion (Note 5)	12,774,926	10,755,365	-	1,395,000	24,925,291
Total noncurrent liabilities	13,249,261	10,899,865	-	1,430,120	25,579,246
Total liabilities	16,266,925	11,727,088	1,347,087	1,977,135	31,318,235
<b>Net Assets</b>					
Investment in capital assets - Net of related debt	79,759,782	682,405	-	-	80,442,187
Restricted for:					
Bond covenants (Note 6)	1,304,000	-	-	-	1,304,000
Sanitation services	-	-	1,339,249	-	1,339,249
Construction	-	-	-	221,478	221,478
Debt service	-	-	-	319,796	319,796
Unrestricted	16,810,017	411,901	-	-	17,221,918
Total net assets	\$ 97,873,799	\$ 1,094,306	\$ 1,339,249	\$ 541,274	\$ 100,848,628

# Charter Township of Clinton

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2004

	Major Funds				Total Enterprise Funds
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessments	
<b>Operating Revenue</b>					
Charges for sales and services	\$ 19,174,890	\$ -	\$ 4,039,942	\$ 55,400	\$ 23,270,232
Rent	-	1,795,962	-	-	1,795,962
Other	352,902	30,780	1,300	-	384,982
Total operating revenue	19,527,792	1,826,742	4,041,242	55,400	25,451,176
<b>Operating Expenses</b>					
Cost of water and sewage disposal	10,713,932	-	-	-	10,713,932
Operation and maintenance	757,676	461,287	4,601,861	-	5,820,824
General and administrative	1,630,481	-	-	-	1,630,481
Salaries and fringe benefits	3,786,953	-	-	-	3,786,953
Depreciation	3,029,360	281,600	-	-	3,310,960
Other	-	-	-	261,873	261,873
Total operating expenses	19,918,402	742,887	4,601,861	261,873	25,525,023
<b>Operating Income (Loss)</b>	(390,610)	1,083,855	(560,619)	(206,473)	(73,847)
<b>Nonoperating Revenue (Expenses)</b>					
Debt, capital charges, and tap fees	1,350,055	-	-	-	1,350,055
Investment income	218,727	2,761	2,463	83,367	307,318
Income from joint ventures	-	-	806,505	-	806,505
Interest expense	(635,255)	(584,755)	-	(103,082)	(1,323,092)
Bond issuance costs	(62,625)	-	-	-	(62,625)
Total nonoperating revenue (expenses)	870,902	(581,994)	808,968	(19,715)	1,078,161
<b>Income (Loss) - Before contributions</b>	480,292	501,861	248,349	(226,188)	1,004,314
<b>Contributions from Developers</b>	2,065,497	-	-	-	2,065,497
<b>Operating Transfers In</b>	-	-	-	18,228	18,228
<b>Net Income (Loss)</b>	2,545,789	501,861	248,349	(207,960)	3,088,039
<b>Retained Earnings - Beginning of year, as restated (Note 13)</b>	95,328,010	592,445	1,090,900	749,234	97,760,589
<b>Retained Earnings - End of year</b>	<u>\$ 97,873,799</u>	<u>\$ 1,094,306</u>	<u>\$ 1,339,249</u>	<u>\$ 541,274</u>	<u>\$ 100,848,628</u>

# Charter Township of Clinton

## Proprietary Funds Statement of Cash Flows Year Ended March 31, 2004

	Major Funds				
	Water and Sewer Fund	Senior Housing Fund	Sanitation Fund	Special Assessments	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 18,797,792	\$ 1,795,962	\$ 4,231,117	\$ 696,064	\$ 25,520,935
Payments to suppliers	(11,616,434)	(441,123)	(4,550,690)	(648,129)	(17,256,376)
Payments to employees and benefit providers	(4,915,420)	-	-	-	(4,915,420)
Net cash provided by (used in) operating activities	2,265,938	1,354,839	(319,573)	47,935	3,349,139
<b>Cash Flows from Noncapital Financing Activities</b>					
Funds advanced from other governmental units	14,779	-	-	1,644	16,423
Operating transfer in	-	-	-	18,228	18,228
Net cash provided by noncapital financing activities	14,779	-	-	19,872	34,651
<b>Cash Flows from Capital and Related Financing Activities</b>					
Collection of debt, capital charges, and tap fees	1,350,055	-	-	-	1,350,055
Proceeds from issuance of bonds	(62,625)	-	-	-	(62,625)
Principal, interest, and other costs paid on long-term debt	(1,215,255)	(1,189,530)	-	(673,082)	(3,077,867)
Purchase of capital assets	(4,682,785)	(286,485)	-	(47,830)	(5,017,100)
Net cash used in capital and related financing activities	(4,610,610)	(1,476,015)	-	(720,912)	(6,807,537)
<b>Cash Flows from Investing Activities</b>					
Interest received on investments	218,727	2,761	2,463	83,367	307,318
Purchase of investment securities	(22,015,000)	-	-	-	(22,015,000)
Proceeds from sale and maturities of investment securities	19,215,000	-	-	-	19,215,000
Net cash provided by (used in) investing activities	(2,581,273)	2,761	2,463	83,367	(2,492,682)
<b>Net Decrease in Cash and Cash Equivalents</b>	(4,911,166)	(118,415)	(317,110)	(569,738)	(5,916,429)
<b>Cash and Cash Equivalents - Beginning of year</b>	15,104,612	912,534	317,110	2,065,999	18,400,255
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 10,193,446</u>	<u>\$ 794,119</u>	<u>\$ -</u>	<u>\$ 1,496,261</u>	<u>\$ 12,483,826</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>					
Cash and investments per balance sheet	\$ 17,086,446	\$ 794,119	\$ -	\$ 1,496,261	\$ 19,376,826
Restricted cash and cash investments	1,304,000	-	-	-	1,304,000
Less investments with original maturities in excess of three months	(8,197,000)	-	-	-	(8,197,000)
Total cash and cash equivalents	<u>\$ 10,193,446</u>	<u>\$ 794,119</u>	<u>\$ -</u>	<u>\$ 1,496,261</u>	<u>\$ 12,483,826</u>
<b>Cash Flows from Operating Activities</b>					
Operating income (loss)	\$ (390,610)	\$ 1,083,855	\$ (560,619)	\$ (206,473)	\$ (73,847)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	3,029,360	281,600	-	-	3,310,960
Changes in assets and liabilities:					
Accounts receivable	(389,458)	-	191,175	300,880	102,597
Prepaid and other assets	(6,322)	-	-	-	(6,322)
Inventory	66,251	-	-	-	66,251
Accounts payable	(902,502)	-	(23,986)	(50,815)	(977,303)
Due to/from other funds	697,544	72	73,857	5,826	777,299
Accrued and other liabilities	161,675	(10,688)	-	(1,483)	149,504
Net cash provided by (used in) operating activities	<u>\$ 2,265,938</u>	<u>\$ 1,354,839</u>	<u>\$ (319,573)</u>	<u>\$ 47,935</u>	<u>\$ 3,349,139</u>

# Charter Township of Clinton

## Fiduciary Funds Statement of Net Assets March 31, 2004

	Pension and Other Employee Benefit Trust Funds	Agency Funds
<b>Assets</b>		
Cash and investments	\$ 79,205,305	\$ 1,308,412
Cash and investments held as collateral for securities lending	8,273,876	-
Due from other governmental units	-	3,365
Total assets	87,479,181	<u><u>\$ 1,311,777</u></u>
<b>Liabilities</b>		
Benefits payable and other liabilities	651,399	\$ -
Due to other governmental units	-	8,008
Refundable bonds and deposits	-	1,303,769
Collateral for securities lending	8,273,876	-
Total liabilities	<u>8,925,275</u>	<u><u>\$ 1,311,777</u></u>
<b>Net Assets - Held in trust for pension systems</b>	<u><u>\$ 78,553,906</u></u>	



# Charter Township of Clinton

## Fiduciary Funds Statement of Changes in Net Assets Year Ended March 31, 2004

	Pension and Other Employee Benefit Trust Funds
<b>Additions</b>	
Contributions:	
Employee	\$ 702,599
Township	1,853,582
Total contributions	2,556,181
Investment income:	
Interest and dividends	1,755,996
Net appreciation in fair value of investments	18,077,568
Less investment expenses	(327,747)
Net investment income	19,505,817
Securities lending income:	
Interest and fees	76,924
Less borrower rebates and fees	(68,719)
Net securities lending income	8,205
Total additions	22,070,203
<b>Deductions</b>	
Benefit payments	2,795,672
Administrative expenses	72,033
Total deductions	2,867,705
<b>Net Increase</b>	19,202,498
<b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of year	59,351,408
End of year	<u><u>\$ 78,553,906</u></u>

# Charter Township of Clinton

## Component Units Statement of Net Assets March 31, 2004

	Economic Development Corporation	Downtown Development Authority	Total
<b>Assets</b>			
Cash and investments (Note 2)	\$ 189,467	\$ 21,054	\$ 210,521
Receivables:			
Taxes	-	1,400	1,400
Other	13,400	-	13,400
Total assets	202,867	22,454	225,321
<b>Liabilities</b>			
Accounts payable	-	296	296
Accrued and other liabilities	750	-	750
Due to other governmental units - Primary government	-	2,955	2,955
Total liabilities	750	3,251	4,001
<b>Net Assets - Unrestricted</b>	<b>\$ 202,117</b>	<b>\$ 19,203</b>	<b>\$ 221,320</b>

# Charter Township of Clinton

	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - Public works	\$ 9,511	\$ -	\$ 1,178	\$ -
Downtown Development Authority - Public works	3,257	-	-	-
Total component units	<u>\$ 12,768</u>	<u>\$ -</u>	<u>\$ 1,178</u>	<u>\$ -</u>

## General revenues:

Taxes

Interest

Other

Total general revenues

## Change in Net Assets

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Component Units  
Statement of Activities  
Year Ended March 31, 2004**

Net (Expense) Revenue and Changes in Net Assets		
Economic Development Corporation	Downtown Development Authority	Total
\$ (8,333)	\$ -	\$ (8,333)
-	(3,257)	(3,257)
(8,333)	(3,257)	(11,590)
-	22,446	22,446
7,120	12	7,132
18,900	2	18,902
26,020	22,460	48,480
17,687	19,203	36,890
184,430	-	184,430
<b>\$ 202,117</b>	<b>\$ 19,203</b>	<b>\$ 221,320</b>

# Charter Township of Clinton

---

## Notes to Financial Statements March 31, 2004

### Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Clinton (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

#### Reporting Entity

The Township is governed by an elected seven-member Board of Trustees. The accompanying basic financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement Number 14, *The Financial Reporting Entity*, for determining the various governmental organizations to be included in the reporting entity. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the Township's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township, although the Township has the ability to impose its will over the entities.

The Charter Township of Clinton was organized on April 3, 1989 under the provisions of Act 359 of P.A. 1947, as amended (Charter Township Act). The Township is governed by an elected seven-member Board of Trustees composed of the supervisor, clerk, treasurer, and four other trustees. The Township provides the following services as authorized by its charter: public safety (police and fire), public works, sanitation, culture, recreation, public improvements, planning and zoning, and general administrative services.

#### **Blended Component Unit**

**Building Authority** - The Charter Township of Clinton Building Authority is governed by a seven-member board that is appointed by the Township's Board of Trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its primary purpose is to provide certain facilities necessary for the operation of the Township's government and to finance and construct the Township's public buildings. The Building Authority is reported as a nonmajor Debt Service Fund.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Discretely Presented Component Units**

**Economic Development Corporation** - The primary purpose of the Economic Development Corporation (EDC) is to encourage and assist commercial enterprises to locate and expand facilities within the Township. The governing members of the EDC Board are appointed by the Township Board of Trustees and can be removed or replaced by the Township Board. Complete financial statements of the EDC are available at the Township clerk's office.

**Downtown Development Authority** - The Downtown Development Authority (DDA) was established on August 8, 2002 under the provision of Act 197 of the Public Acts of Michigan of 1975, as amended. The DDA was created to halt property value deterioration and increase property tax valuation where possible, to eliminate the causes of that deterioration and to promote economic growth in the business district of the Township. The DDA collects captured property taxes in accordance with State law and submits a budget of expenditures within the DDA district. The DDA's governing body is appointed by the Township Board of Trustees.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Fire Special Revenue Fund accounts for all of the activities of the Township's Fire Department, except for construction activity and equipment purchased in the Fire Facility Capital Projects Fund.

The Township reports the following major proprietary funds:

- The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.
- The Senior Housing Fund accounts for the activities of the Township's Senior Housing apartment complex.
- The Sanitation Fund accounts for the activities associated with the Township's rubbish collection.
- The Special Assessment Fund accounts for the activities associated with the construction of the water distribution system, the sewage collection system, various paving projects, and the debt payments related to the projects.

Additionally, the Township reports the following fund types:

- The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.
- The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activity.

As a general rule, the effect of interfund activity and the General Fund reimbursement for administrative expenses have been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: property taxes, State-shared revenue, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

#### **Property Tax Revenue**

Properties are assessed as of December 31. The related property taxes become a lien and are billed on December 1 of the following year. These taxes are due on February 28 with the final collection date of March 1 before they are added to the county tax rolls. Property taxes billed during the month of December will be used to finance the following year's operations.

The 2003 taxable valuation (real and personal property) of the Township totaled \$2,599,250,842, on which ad valorem taxes levied consisted of .8238 mills for the Township's operating purposes, .9773 mills for fire operating purposes, and .45 mills for the retirement of police building debt. The ad valorem taxes generated \$2,141,263 for general operations, \$2,540,248 for fire operations, and \$1,169,663 for police building debt retirement. The 2003 real property taxable valuation of the Township totaled \$2,414,892,742, on which special assessments levied consisted of 5 mills for police operations and 4 mills for fire operations. The special assessment levies generated \$12,074,464 for police operations and \$9,659,571 for fire operations. The Industrial Facilities Tax roll generated \$39,528 for general operations, \$151,660 for police operations, \$168,226 for fire operations, and \$21,592 for police building debt retirement. These amounts are recorded in their respective funds as tax revenue.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Inventories and Prepaid Costs** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

**Restricted Assets** - The revenue bonds of the Enterprise Fund require amounts to be set aside for a bond reserve. The amount has been classified as a restricted asset.

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Assets are depreciated starting on the first day of the first fiscal year following the date of acquisition.

### Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Structures, mains, and laterals	25-50 years
Meters	10-20 years
Land improvements	15 years
Buildings and improvements	25-50 years
Office furniture and equipment	5 years
Operating equipment	10 years
Vehicles	3-10 years

**Compensated Absences** - The Township allows employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation and personal pay as it is earned, and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Construction Code Act** - The Township tracks the results of building department operation in the General Fund in accordance with Michigan Public Act 245 of 1999. The Township is required to maintain an accounting system that separately accumulates revenues and expenditures related to the building department function. As required under the provision of the Act, the Township adopted this accounting treatment effective January 1, 2000. A summary of the activity since January 1, 2000 is as follows:

Cumulative expenditures over revenue - April 1, 2003		\$ (1,251,000)
Fiscal 2004 building department activity:		
Permit revenue	\$ 1,018,000	
Expenditures	<u>(1,424,000)</u>	
Excess of expenditures over revenue		<u>(406,000)</u>
Cumulative expenditures over revenue - March 31, 2004		<u>\$ (1,657,000)</u>

### Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Charter Township of Clinton's deposits and investment policies are in accordance with statutory authority.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 2 - Deposits and Investments (Continued)

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and cash equivalents	\$ 25,278,976	\$ 5,269,197	\$ 30,548,173	\$ 1,821,666	\$ 210,521
Investments	8,750,181	14,107,629	22,857,810	78,692,051	-
Cash and investments held as collateral for securities lending	-	-	-	8,273,876	-
Subtotal cash, cash equivalents, and investments	34,029,157	19,376,826	53,405,983	88,787,593	210,521
Restricted assets	-	1,304,000	1,304,000	-	-
Total	<u>\$ 34,029,157</u>	<u>\$ 20,680,826</u>	<u>\$ 54,709,983</u>	<u>\$ 88,787,593</u>	<u>\$ 210,521</u>

The breakdown between deposits and investments for the Charter Township of Clinton is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 33,395,001	\$ 140,622	\$ 210,521
Investments in securities, mutual funds, and similar vehicles	21,310,782	88,646,971	-
Petty cash or cash on hand	4,200	-	-
Total	<u>\$ 54,709,983</u>	<u>\$ 88,787,593</u>	<u>\$ 210,521</u>

### **Note 2 - Deposits and Investments (Continued)**

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$33,273,330. Of that amount, approximately \$1,500,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Investments**

To the extent that cash from various funds has been pooled in an investment, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds' investment earnings are allocated to the General Fund.

The Fire and Police Pension System Trust Fund and the Public Employee Health Care Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

As permitted by State statutes, and under the provisions of a Securities Lending Authorization Agreement, the Fire and Police Pension System Trust Fund lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The Fire and Police Pension System's custodial bank manages the securities lending program and receives cash, government securities, or irrevocable bank letters of credit as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended March 31, 2004, only United States currency was received as collateral.

### Note 2 - Deposits and Investments (Continued)

The Fire and Police Pension System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the custodial bank.

The Fire and Police Pension System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pool as of March 31, 2004 was 129 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On March 31, 2004, the Fire and Police Pension System had no credit risk exposure to borrowers. The collateral held and the fair market value of underlying securities on loan for the Fire and Police Pension System as of March 31, 2004 were \$8,273,876 and \$8,033,220, respectively.

The investments are categorized below to give an indication of the level of risk assumed by the Township at March 31, 2004. Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the Township or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the Township's name

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 2 - Deposits and Investments (Continued)

At year end, the Township's investment balances were categorized as follows:

	Reported Amount (Fair Value)
Primary government - Investments not subject to categorization:	
Bank investment pools	\$ 18,421,098
Interlocal agreement investment pools	<u>2,889,684</u>
Total primary government	<u>\$ 21,310,782</u>
Fiduciary funds:	
Category 3 investments:	
Common stock	\$ 43,215,746
U.S. Treasury notes	778,651
U.S. government agency securities	4,026,248
Corporate bonds	<u>8,622,707</u>
Total Category 3 investments	56,643,352
Investments not subject to categorization:	
Money market funds	2,308,064
Bank investment pools	454,130
Mutual funds	12,934,330
Investments held by broker-dealers and banks under securities loans:	
U.S. government agency securities	1,860,612
Corporate bonds	1,064,524
Common stock	5,108,083
Securities lending cash and investments	<u>8,273,876</u>
Total fiduciary funds	<u>\$ 88,646,971</u>



### Note 2 - Deposits and Investments (Continued)

The bank investment pools, mutual funds, and interlocal agreement investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The mutual funds are registered with the SEC, the bank investment pools are regulated by the Michigan Banking Act, and investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares. Management believes that the investments in the funds comply with the investment authority noted above.

Included In the investments at March 31, 2004 are the following:

- Approximately \$5,886,860 of securities issued by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), and the GNMA investments are backed by the full faith and credit of the U.S. government whereas the FNMA and FHLMC investments are backed only by the applicable government agency. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$1,050,000 of corporate asset-backed securities. The yields on these mortgage-related securities are comparable to those of mortgage-backed securities issued by federal government agencies. These investments are backed only by the various issuing corporations and have the potential for prepayment. In the event of prepayment, the Township could experience difficulty reinvesting the proceeds in investments with comparable yields.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 3 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2003	Additions	Disposals and Adjustments	Balance March 31, 2004
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 2,957,036	\$ -	\$ 50,000	\$ 2,907,036
Capital assets being depreciated:				
Land improvements	1,587,345	45,073	-	1,632,418
Buildings and building improvements	23,913,763	3,483,065	460,922	26,935,906
Office furniture and equipment	5,877,729	268,416	200,000	5,946,145
Vehicles	5,949,818	1,874,749	698,170	7,126,397
Operating equipment	3,009,105	116,409	125,000	3,000,514
Subtotal	40,337,760	5,787,712	1,484,092	44,641,380
Accumulated depreciation:				
Land improvements	672,572	105,823	-	778,395
Buildings and building improvements	4,909,750	498,467	212,245	5,195,972
Office furniture and equipment	4,546,018	384,334	200,000	4,730,352
Vehicles	4,064,315	572,006	698,170	3,938,151
Operating equipment	1,290,218	241,343	125,000	1,406,561
Subtotal	15,482,873	1,801,973	1,235,415	16,049,431
Net capital assets being depreciated	24,854,887	3,985,739	248,677	28,591,949
Net capital assets	\$ 27,811,923	\$ 3,985,739	\$ 298,677	\$ 31,498,985

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 3 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance April 1, 2003	Additions	Disposals and Adjustments	Balance March 31, 2004
Capital assets not being depreciated:				
Land	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Construction in progress	5,152,956	4,259,925	2,534,038	6,878,843
Net capital assets not being depreciated	6,152,956	4,259,925	2,534,038	7,878,843
Capital assets being depreciated:				
Land improvements	-	286,485	-	286,485
Buildings and improvements	14,079,990	-	-	14,079,990
Equipment	1,551,080	271,604	-	1,822,684
Vehicles	1,650,280	132,841	79,411	1,703,710
Furniture and fixtures	459,606	-	-	459,606
Meters	4,422,666	66,251	-	4,488,917
Structures, mains, and laterals	122,516,094	4,599,536	-	127,115,630
Subtotal	144,679,716	5,356,717	79,411	149,957,022
Accumulated depreciation:				
Land improvements	-	-	-	-
Buildings and improvements	3,057,600	281,600	-	3,339,200
Equipment	1,535,122	12,091	17,973	1,529,240
Vehicles	958,838	242,072	79,411	1,121,499
Furniture and fixtures	395,110	31,727	-	426,837
Meters	1,784,020	221,180	-	2,005,200
Structures, mains, and laterals	41,614,959	2,540,270	-	44,155,229
Subtotal	49,345,649	3,328,940	97,384	52,577,205
Net capital assets being depreciated	95,334,067	2,027,777	(17,973)	97,379,817
Net capital assets	\$ 101,487,023	\$ 6,287,702	\$ 2,516,065	\$ 105,258,660

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 3 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 253,058
Public safety	1,110,643
Public works	177,100
Recreation and senior activities	228,718
41st District Court	<u>32,454</u>

Total governmental activities	<u>\$ 1,801,973</u>
-------------------------------	---------------------

Business-type activities:

Water and sewer	\$ 3,047,340
Senior housing	<u>281,600</u>

Total business-type activities	<u>\$ 3,328,940</u>
--------------------------------	---------------------

### Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund financial statements is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Sanitation Fund	\$ 1,007,438
	Senior Housing Fund	576
	Other nonmajor funds	<u>123,210</u>
	Total General Fund	1,131,224
Fire Special Revenue Fund	General Fund	<u>84,991</u>
Water and Sewer Fund	General Fund	148,312
	Special Assessment Fund	<u>64,630</u>
	Total Water and Sewer Fund	212,942
Sanitation Fund	Water and Sewer Fund	<u>541,350</u>
Other nonmajor funds	Water and Sewer Fund	<u>7,000</u>
	Total	<u>\$ 1,977,507</u>

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

	Transfers Out			
	General Fund	Fire Fund	Other Nonmajor Funds	Total
Transfers in:				
Fire Fund	\$ -	\$ -	\$ 163,964 (1)	\$ 163,964
Special Assessment Fund	-	-	18,228 (2)	18,228
Other nonmajor funds	<u>327,376 (1)</u>	<u>45,109 (1)</u>	<u>-</u>	<u>372,485</u>
Total	<u>\$ 327,376</u>	<u>\$ 45,109</u>	<u>\$ 182,192</u>	<u>\$ 554,677</u>

(1) Transfer for debt service payment

(2) Transfer of discretionary funds for a capital improvement project

### Note 5 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the Township.

Installment purchase agreements are also general obligations of the government.

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

The special assessment bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. Under Michigan law, the Township is secondarily liable for payment of these bonds.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 5 - Long-term Debt (Continued)

In connection with the Water and Sewer Revenue Bonds, the Township is subject to bond ordinance requirements including maintaining a relationship of net revenue to debt service requirements.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
General obligation bonds:						
Building Authority Refunding Bonds - Series 1994*						
Amount of issue - \$7,270,000	4.50%-	\$232,220-				
Maturing through 2010	4.75%	\$278,955	\$ 1,850,455	\$ (45,275)	\$ 1,805,180	\$ 235,140
Building Authority Refunding Bonds - Series 1998*						
Amount of issue - \$10,390,000		\$5,355-				
Maturing through 2017	5.32%	\$315,945	2,034,900	(134,946)	1,899,954	5,355
Police Building Bonds - Series 1998						
Amount of issue - \$8,000,000	4.00%-	\$325,000-				
Maturing through 2018	6.00%	\$725,000	7,025,000	(325,000)	6,700,000	325,000
Police Building Bonds - Series 1999						
Amount of issue - \$5,900,000	4.00%-	\$150,000-				
Maturing through 2018	6.00%	\$600,000	5,200,000	-	5,200,000	200,000
Fire Building Bonds - Series 2002						
Amount of issue - \$8,500,000	2.50%-	\$175,000-				
Maturing through 2022	4.60%	\$750,000	8,500,000	(325,000)	8,175,000	200,000
Total bond obligations			24,610,355	(830,221)	23,780,134	965,495
Capital leases:						
1999 Spencer Model TM-750 Fire Apparatus #1:						
Amount of issue - \$256,420						
Maturing through 2008	4.99%	Various	156,167	(156,167)	-	-
1999 Spencer Model TM-750 Fire Apparatus #2:						
Amount of issue - \$251,420						
Maturing through 2008	4.99%	Various	153,122	(153,122)	-	-
Total capital leases			309,289	(309,289)	-	-
Other long-term obligations - Compensated absences			3,112,766	332,195	3,444,961	1,030,352
Total governmental activities			28,032,410	(807,315)	27,225,095	1,995,847

\* Bonds with maturing dates from November 1, 2003 through November 1, 2017 were defeased during the years ended March 31, 1994 and March 31, 1999. The Series 1994 bonds are co-funded by the General Fund, Fire Fund, and the Senior Housing Fund. The Series 1998 bonds are co-funded by the General Fund and the Senior Housing Fund. See tables for breakout.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Business-type Activities</b>						
General obligation bonds:						
Building Authority Refunding Bonds - Series 1994*						
Amount of issue - \$7,270,000	4.50%-	\$562,780-				
Maturing through 2010	4.75%	\$676,045	\$ 4,484,545	\$ (109,725)	\$ 4,374,820	\$ 569,860
Building Authority Refunding Bonds - Series 1998*						
Amount of issue - \$10,390,000		\$19,645-				
Maturing through 2017	5.32%	\$1,159,055	7,465,100	(495,055)	6,970,045	19,645
Special assessment bonds:						
1994 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 839, 841, 843, 847, 849-851, 869, and 870-872)						
Amount of issue - \$540,000						
Maturing through 2003	5.40%	\$50,000	50,000	(50,000)	-	-
1995 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 825, 826, 858, 861, 865, 873, and 879-882)						
Amount of issue - \$690,000						
Maturing through 2005	5.30%	\$55,000	110,000	(55,000)	55,000	55,000
1996 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 857, 862, 877, 897, and 900-902)						
Amount of issue - \$905,000	5.10%-	\$90,000-				
Maturing through 2006	5.20%	\$85,000	265,000	(90,000)	175,000	90,000
1997 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 910, 913, 914, and 924)						
Amount of issue - \$715,000	5.15%-					
Maturing through 2006	5.25%	\$75,000	300,000	(75,000)	225,000	75,000
1998 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 930, 931, 932, 933, 938, and 939)						
Amount of issue - \$945,000		\$100,000-				
Maturing through 2008	6.00%	\$50,000	500,000	(100,000)	400,000	100,000
1999 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 892, 923, 937, 940, 941, 948, and 952)						
Amount of issue - \$680,000	3.80%-	\$55,000-				
Maturing through 2008	4.25%	\$60,000	375,000	(95,000)	280,000	55,000
2001 Special Assessment Bonds - Limited Tax Bonds (Project Nos. 985, 988, and 990)						
Amount of issue - \$995,000	3.80%-	\$105,000-				
Maturing through 2011	4.60%	\$110,000	845,000	(105,000)	740,000	105,000
Revenue bonds:						
Revenue Bonds - Series 1992**						
Amount of issue - \$5,000,000		\$300,000-				
Maturing through 2012	4.75%	\$400,000	1,500,000	-	1,500,000	-
Revenue Bonds - Series 1996***						
Amount of issue - \$3,000,000	5.00%-	\$100,000-				
Maturing through 2016	8.00%	\$350,000	1,200,000	(100,000)	1,100,000	100,000
Revenue Refunding Bonds - Series 1998						
Amount of issue - \$4,110,000	4.35%-	\$145,000-				
Maturing through 2013	5.00%	\$435,000	3,180,000	(280,000)	2,900,000	275,000

\*\* Bonds with maturity dates from July 1, 2002 through July 1, 2008 were defeased during the year ended March 31, 1999.

\*\*\* Bonds with maturity dates from July 1, 2006 through July 1, 2013 were defeased during the year ended March 31, 1999.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 5 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
<b>Business-type Activities (Continued)</b>						
Revenue bonds (Continued):						
Revenue Bonds - Series 2001						
Amount of issue - \$8,000,000	4.00%-	\$200,000-				
Maturing through 2022	7.00%	\$650,000	\$ 7,900,000	\$ (200,000)	\$ 7,700,000	\$ 200,000
Total bond obligations			28,174,645	(1,754,780)	26,419,865	1,644,505
Other long-term obligations - Compensated absences			210,914	12,864	223,778	73,847
Total business-type activities			28,385,559	(1,741,916)	26,643,643	1,718,352
Total primary government			\$ 56,417,969	\$ (2,549,231)	\$ 53,868,738	\$ 3,714,199

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 965,495	\$ 1,057,358	\$ 2,022,853	\$ 1,644,505	\$ 1,258,815	\$ 2,903,320
2006	1,033,020	1,009,546	2,042,566	1,651,980	1,176,309	2,828,289
2007	1,119,705	956,936	2,076,641	1,610,295	1,093,583	2,703,878
2008	1,162,575	899,624	2,062,199	1,527,425	1,012,851	2,540,276
2009	1,254,540	842,191	2,096,731	1,625,459	935,130	2,560,589
2010-2014	7,322,390	3,339,228	10,661,618	8,542,610	3,438,721	11,981,331
2015-2019	8,747,409	1,533,970	10,281,379	7,442,591	1,377,105	8,819,696
2020-2023	2,175,000	199,550	2,374,550	2,375,000	196,500	2,571,500
Total	\$ 23,780,134	\$ 9,838,403	\$ 33,618,537	\$ 26,419,865	\$ 10,489,014	\$ 36,908,879

### Defeased Debt

In prior years, the Township defeased certain Building Authority and Water and Sewer Revenue Bonds by placing surplus cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At March 31, 2004, \$14,650,000 of Building Authority bonds and \$2,875,000 of Water and Sewer Revenue bonds outstanding are considered defeased.



### **Note 5 - Long-term Debt (Continued)**

#### **No Commitment Debt**

Excluded from the government-wide statement of net assets are revenue bonds issued by the Economic Development Corporation to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the Township. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the Township's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

### **Note 6 - Restricted Assets**

The Water and Sewer Fund accounts for the operation and maintenance of the water and sewer treatment activities of the Township, including the funding of reserves as required by the revenue bond ordinances. The bond reserve account balance at March 31, 2004 is funded solely by certificates of deposits in the amount of \$1,304,000.

### **Note 7 - Risk Management**

The Township is exposed to losses from various risks. Those risks include those related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees, retirees, and their dependents. The Township has purchased commercial insurance for medical claims, property loss, torts, and errors and omissions. The Township is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past five fiscal years.

The Township estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The liability is recorded in accrued and other liabilities on the statement of net assets.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 7 - Risk Management (Continued)

Changes in the estimated liability for the past two fiscal years were as follows:

	2004	2003
Estimate liability - Beginning of year	\$ 411,608	\$ 461,110
Estimated claims incurred, including changes in estimates	567,508	228,892
Claim payments	(435,288)	(278,394)
Estimated liability - End of year	<u>\$ 543,828</u>	<u>\$ 411,608</u>

### Note 8 - Commitments and Contingencies

**Construction Commitments** - The Charter Township of Clinton has an active construction project at year end. As of March 31, 2004, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Fire station #5	\$ 2,814,000	\$ 840,000

### Note 9 - Designated Fund Balances

Fund balances have been designated in the General Fund for the following purposes:

	Designated			
	Working Capital	Workers' Compensation	Total	Undesignated
Balance - April 1, 2003	\$ 14,987,885	\$ 250,000	\$ 15,237,885	\$ 1,142,817
Increase in amount designated for working capital	414,628	-	414,628	(414,628)
Increase in amount reserved for prepaid expenses	-	-	-	(11,050)
General Fund expenditures over revenue	-	-	-	(717,139)
Balance - March 31, 2004	<u>\$ 15,402,513</u>	<u>\$ 250,000</u>	<u>\$ 15,652,513</u>	<u>\$ -</u>

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 9 - Designated Fund Balances (Continued)

Fund balances of the following Special Revenue Funds have been designated for budgeted expenditures in excess of budgeted revenue and other financing sources for the year ended March 31, 2005:

Capital Improvement Revolving Fund	\$ 1,605,000
Drainage Fund	142,380
Postemployment Benefit Fund	8,850
Drug Forfeiture Fund	<u>57,376</u>
Total Special Revenue Funds	<u>\$ 1,813,606</u>

### Note 10 - Postemployment Benefits

The Township provides health care benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, 121 retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its insured health care plan. Contributions by the participants range from 0 percent to 100 percent depending on the number of years of service with the Township prior to retirement. The Township purchases Medicare supplemental insurance, including prescription coverage, for retirees eligible for Medicare.

The Township has established the Postemployment Benefit Fund and the Public Employee Healthcare Fund to fund retiree health care benefit obligations in advance of premiums coming due.

During the year ended March 31, 2004, the General, Special Revenue, and Water and Sewer Funds contributed \$970,400, \$387,000, and \$202,000, respectively, to the Postemployment Benefit Fund. Insurance premiums paid for retirees are charged to the Postemployment Benefit Fund and total approximately \$835,000.

The two postemployment benefit funds have a combined fund balance totaling \$8,130,580 at March 31, 2004. This amount represents the cumulative net funding provisions that have been made in advance of retiree health care premiums.

### Note 10 - Postemployment Benefits (Continued)

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

### Note 11 - Pension Plans

#### Fire and Police Pension System Fund

##### System Description and Contribution Information

Membership of the system consisted of the following at March 31, 2003, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	78
Current employees:	
Fully vested	117
Nonvested	75
Total current employees	192
Number of participating employers	1

The Pension System is the administrator of a single-employer public employees' retirement system that covers all police and fire employees of the Township. The system is composed of a defined contribution plan to account for the employees' contributions and a defined benefit plan to account for the Township's contribution and retirees' reserve. For accounting purposes, these plans are combined. The system provides retirement benefits, as well as death and disability benefits. The Fire and Police Pension System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 40700 Romeo Plank Road, Clinton Township, MI 48038.

### **Note 11 - Pension Plans (Continued)**

The Pension System member and employer contributions are recognized in the period in which the contributions are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Please refer to Note 1 for further significant accounting policies.

Depending upon their collective bargaining unit, plan members are required to contribute between 4.0 percent and 6.65 percent of their annual covered salary. The Township is required to contribute at an actuarially determined rate. The obligation to contribute to and maintain the system for these employees was established by Act No. 345 of the Public Acts of 1937, as amended, and modified by the collective bargaining agreements. Administrative costs of the system are financed through investment earnings.

#### **Annual Pension Cost**

For the year ended March 31, 2004, the Township's annual pension cost of \$1,853,582 for the plan was equal to the system's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at March 31, 2002. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 5.0 percent to 9.0 percent per year compounded annually, and (c) no postretirement benefit increases. Both (a) and (b) include inflation at 4.5 percent. For actuarial purposes, asset values are determined using techniques that smooth the effects of short-term market volatility over a four-year period. Level of percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. The system's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at March 31, 2002 was 19 years.

#### **Reserves**

State law requires employee contributions to be segregated and interest to be added annually. In addition, amounts must be set aside as determined by the actuary to fund benefits to retirees currently approved to receive benefits.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 11 - Pension Plans (Continued)

The reserves of the Fire and Police Pension System Fund are as follows:

	Reserved for Employee Contributions	Reserved for Employer Contributions	Reserved for Membership Annuities	Total
<b>Balances - April 1, 2003</b>	\$ 6,556,419	\$ 22,206,926	\$ 24,731,989	\$ 53,495,334
<b>Additions</b>				
Contributions:				
Members	699,609	2,990	-	702,599
General Fund	-	1,853,582	-	1,853,582
Net investment gain	-	17,894,171	-	17,894,171
Securities lending income	-	8,205	-	8,205
Total balances and additions	7,256,028	41,965,874	24,731,989	73,953,891
<b>Transfers</b>				
Interest	136,621	(1,898,948)	1,762,327	-
Reserve adjustment	(253,138)	(1,030,607)	1,283,745	-
Total balances and additions after transfers	7,139,511	39,036,319	27,778,061	73,953,891
<b>Deductions</b>				
Pension benefits	-	-	(2,795,672)	(2,795,672)
Refunds and other administrative expenses	-	(72,033)	-	(72,033)
<b>Balances - March 31, 2004</b>	<u>\$ 7,139,511</u>	<u>\$ 38,964,286</u>	<u>\$ 24,982,389</u>	<u>\$ 71,086,186</u>

### Three-year Trend Information

Year Ended March 31	Annual Pension Cost	Percentage Contributed
2002	\$ 1,754,118	100
2003	1,839,220	100
2004	1,853,582	100

### **Note 11 - Pension Plans (Continued)**

The required supplemental information (see table of contents) contained in the additional information is designed to provide information about the system's progress in accumulating sufficient assets to pay benefits when due.

#### **Michigan Municipal Employees' Retirement System**

##### **System Description and Contribution Information**

The Township participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers substantially all employees of the Township, except police and fire. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the eight municipal employee collective bargaining units and requires a contribution from the employees of 3.0 percent to 5.0 percent of gross wages.

##### **Annual Pension Cost**

For the year ended March 31, 2004, the Township's annual pension cost of \$599,964 for the system was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry age normal funding method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases of 0.0 percent to 4.16 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period.

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 11 - Pension Plans (Continued)

#### Trend Information

	Fiscal Year Ended March 31		
	2004	2003	2002
Annual pension cost (APC)	\$ 599,964	\$ 279,235	\$ 311,349
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2001	2000	1999
Actuarial value of assets	\$ 31,658,056	\$ 30,019,215	\$ 27,362,840
Actuarial accrued liability	\$ 33,542,303	\$ 28,518,246	\$ 24,417,190
Unfunded (overfunded) AAL (UAAL)	\$ (1,884,247)	\$ (1,500,969)	\$ (2,945,650)
Funded ratio	106%	105%	112%
Covered payroll	\$ 10,022,889	\$ 9,475,595	\$ 9,733,117
UAAL as a percentage of covered payroll	- %	- %	- %

### Note 12 - Joint Ventures

The Township is a member of the Grosse Pointes-Clinton Refuse Disposal Authority (the "Authority") joint venture. The Authority's governing board is composed of two appointees from the Township and one appointee from each of the other seven member communities. In April 1999, the Authority's governing board ceased incineration operations at the Authority. The Township's equity portion of the Authority is reported in the Sanitation Fund. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The financial statements for the Authority can be obtained from the Authority's administrative office located at 3664 Nestingridge Dr., Rochester Hills, MI 48309.

The Township, in conjunction with Macomb Township, has created the Clinton-Macomb District Library (the "Library"). The Library's board is composed of three members appointed by the Township Board of Trustees and three members appointed by Macomb Township. The Library is funded through property taxes, specifically through a separate property tax millage that is not recorded as revenue by Clinton Township. The Library currently does not receive a subsidy from the Township. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. The financial statements for the Library can be obtained from the Library's administrative office at 40900 Romeo Plank Road., Clinton Township, MI 48038.



# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 13 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Township has applied the provisions of this statement in the accompanying financial statements (including the notes to financial statements.) The Township has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations
- Financial statements prepared using a full accrual accounting for all of the Township's activities, including infrastructure (amounts paid to the Road Commission for the intangible right to use the roads)
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets not previously accounted for by the Township as well as assets totaling approximately \$43,295,000 that would have previously been recorded in the General Fixed Assets Account Group
- Senior Housing Fund (formerly a Special Revenue Fund entitled Senior Housing) is now reported as a business-type activity:

Fund balance, Senior Housing Fund - March 31, 2003, as previously reported		\$ 767,563
Senior Housing Fund assets, cost at March 31, 2003	\$ 15,079,990	
Senior Housing Fund assets, accumulated depreciation	<u>(3,057,600)</u>	12,022,390
Debt and interest at March 31, 2003 associated with the Senior Housing Fund, previously recorded in the General Long-term Debt Account Group		<u>(12,197,508)</u>
Senior Housing Fund net assets - March 31, 2003, as restated		<u>\$ 592,445</u>

# Charter Township of Clinton

## Notes to Financial Statements March 31, 2004

### Note 13 - Accounting and Reporting Change (Continued)

- Sanitation Fund (formerly a Special Revenue Fund entitled Sanitation) is now reported as a business-type activity:

Fund balance, Sanitation Fund - March 31, 2003, as previously reported	\$ 647,521
Joint venture investment in Grosse Pointes-Clinton Disposal Authority	<u>443,379</u>
Sanitation Fund net assets - March 31, 2003, as restated	<u>\$ 1,090,900</u>

- Special Assessments Fund (formerly a Capital Projects Fund entitled Special Assessment Capital Projects and a Debt Service Fund entitled Special Assessment Debt Service) is now reported singularly as a business-type activity:

Fund balance, Special Assessment Capital Projects Fund - March 31, 2003, as previously reported	\$ (120,571)
Fund Balance, Special Assessment Debt Service Fund - March 31, 2003, as previously reported	\$ 2,103,251
Special Assessment Fund deferred revenue	1,215,422
Debt and interest at March 31, 2003 associated with the Special Assessment Fund, previously recorded in the General Long- term Debt Account Group	<u>(2,448,868)</u>
Special Assessment Fund net assets - March 31, 2003, as restated	<u>\$ 749,234</u>

### **Note 13 - Accounting and Reporting Change (Continued)**

- The governmental activities column includes bonds and other long-term obligations totaling approximately \$28,032,000 previously reported in the General Long-term Debt Account Group.

### **Note 14 - Contingencies**

The Township may be required to undertake measures to upgrade sanitary sewers in order to be in compliance with the Clean Water Act. According to the Michigan Department of Environmental Quality, actions required by the Township are dependent upon the results of a Waste Water Master Plan currently being completed by the City of Detroit Water and Sewerage Department. Since the recommendations of that study are not yet known, the Township cannot estimate these costs.

## **Required Supplemental Information**

---

# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 14,278,000	\$ 14,437,055	\$ 14,456,444	\$ 19,389
Licenses and permits	1,002,000	1,054,500	1,080,157	25,657
Federal sources	31,000	153,836	176,920	23,084
State sources	10,093,500	8,793,300	8,658,624	(134,676)
Interest	800,000	300,000	182,244	(117,756)
Fines and forfeitures	2,247,500	2,245,724	2,117,231	(128,493)
Other revenue	2,902,953	2,587,260	2,641,974	54,714
Total revenue	31,354,953	29,571,675	29,313,594	(258,081)
<b>Expenditures</b>				
Current:				
General government	6,588,949	4,944,467	4,850,248	94,219
Public safety	17,818,574	17,474,718	17,218,322	256,396
Public works	3,733,588	3,643,397	3,597,155	46,242
Recreation and senior activities	1,839,195	1,679,075	1,694,240	(15,165)
District Court	2,518,347	2,418,800	2,343,392	75,408
Total expenditures	32,498,653	30,160,457	29,703,357	457,100
<b>Excess of Revenue Over Expenditures</b>	(1,143,700)	(588,782)	(389,763)	199,019
<b>Other Financing Sources (Uses)</b>				
Transfers in	892,022	-	-	-
Transfers out	(330,000)	(315,000)	(327,376)	(12,376)
Total other financing sources (uses)	562,022	(315,000)	(327,376)	(12,376)
<b>Net Change in Fund Balance</b>	(581,678)	(903,782)	(717,139)	186,643
<b>Fund Balance - Beginning of year</b>	16,669,849	16,669,849	16,669,849	-
<b>Fund Balance - End of year</b>	<u>\$ 16,088,171</u>	<u>\$ 15,766,067</u>	<u>\$ 15,952,710</u>	<u>\$ 186,643</u>

# Charter Township of Clinton

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Year Ended March 31, 2004

		Amended		Variance with
	Original Budget	Budget	Actual	Amended Budget
<b><u>Fire Fund</u></b>				
<b>Revenue</b>				
Property taxes	\$ 12,265,000	\$ 12,365,000	\$ 12,365,592	\$ 592
Federal sources	110,600	110,600	30,691	(79,909)
Interest	-	7,000	47,045	40,045
Other revenue	21,500	167,000	168,458	1,458
Total revenue	12,397,100	12,649,600	12,611,786	(37,814)
<b>Expenditures</b>				
Current - Public safety	10,804,736	11,174,517	11,104,870	69,647
Debt service:				
Principal	-	484,289	484,289	-
Interest	-	343,889	344,004	(115)
Total expenditures	10,804,736	12,002,695	11,933,163	69,532
<b>Excess of Revenue Over Expenditures</b>	1,592,364	646,905	678,623	31,718
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	163,964	163,964
Transfers out	(548,446)	(45,109)	(45,109)	-
Total other financing sources (uses)	(548,446)	(45,109)	118,855	163,964
<b>Net Change in Fund Balance</b>	1,043,918	601,796	797,478	195,682
<b>Fund Balance - Beginning of year</b>	9,985,567	9,985,567	9,985,567	-
<b>Fund Balance - End of year</b>	<u>\$ 11,029,485</u>	<u>\$ 10,587,363</u>	<u>\$ 10,783,045</u>	<u>\$ 195,682</u>

# Charter Township of Clinton

## Required Supplemental Information Pension System Schedule of Funding Progress March 31, 2004

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability* (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
03/31/98	\$ 46,866,937	\$ 46,545,707	\$ (321,230)	100.7	\$ 9,766,223	(3.3)
03/31/99	52,769,536	51,385,634	(1,383,902)	102.7	10,375,778	(13.3)
03/31/00	59,925,922	54,892,942	(5,032,980)	109.2	11,218,992	(44.9)
03/31/01	63,882,741	57,476,278	(6,406,463)	111.1	11,533,887	(55.5)
03/31/02	67,781,390	60,903,731	(6,877,659)	111.3	11,833,874	(58.1)
03/31/03	68,539,019	65,622,382	(2,916,637)	104.4	13,267,042	(22.0)

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
03/31/99	03/31/97	\$ 1,975,545	100.0
03/31/00	03/31/98	1,942,932	100.0
03/31/01	03/31/99	1,786,889	100.0
03/31/02	03/31/00	1,754,118	100.0
03/31/03	03/31/01	1,839,220	100.0
03/31/04	03/31/02	1,853,582	100.0

The required contribution is expressed to the Township as a percentage of payroll.

Valuation date	March 31, 2003
Actuarial cost method	Individual entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	19
Asset valuation method	4-year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases**	5.0% - 9.0%
** Includes inflation at	4.5%
Cost of living adjustments	None

# Charter Township of Clinton

---

## **Note to Required Supplemental Information March 31, 2004**

### **Note - Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds except for the fact that other revenue per the General Fund budgetary comparison schedule includes \$1,193,969 of reimbursements from other funds. On the governmental funds statement of revenue, expenditures, and changes in fund balance, those reimbursements are netted against general government expenditures. All annual appropriations lapse at fiscal year end. The budget cycle runs from April 1 to March 31. The annual budget is submitted to the Township Board 120 days prior to the beginning of the next fiscal year and approved by the Board prior to commencement of the new fiscal year.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Encumbrances are not included as expenditures. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. The amount of encumbrances outstanding at March 31, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the Charter Township of Clinton experienced the following expenditures in excess of the related budgets:

In the General Fund, the Recreation Department exceeded its budget by \$46,314, which was in part offset by related revenues exceeding their budget by \$21,346. The remaining overage, which amounts to 2 percent of the recreation budget, results from numerous activities that had participation exceeding expectations.

In the Fire Fund, the interest component of debt service exceeded its budget by \$115, which was due to a miscalculation of the interest due on the early payoff of a capital lease obligation.



## **Other Supplemental Information**

---

# Charter Township of Clinton

Nonmajor Special Revenue Funds							
	Capital Improvement Revolving	Drainage	Community Development Block Grant	Postemployment Benefit	Drug Forfeiture	Street Lighting	Total Special Revenue Funds
<b>Assets</b>							
Cash and investments	\$ 2,237,020	\$ 1,965,473	\$ -	\$ 555,408	\$ 222,745	\$ 495,662	\$ 5,476,308
Receivables:							
Taxes	-	-	-	-	-	-	-
Customers	2,310	-	-	-	-	20,373	22,683
Interest	1,931	-	-	-	-	-	1,931
Other	-	-	-	114,048	-	-	114,048
Due from other funds	-	-	-	7,000	-	-	7,000
Due from other governmental units - Other	-	-	114,761	-	-	-	114,761
<b>Total assets</b>	<b>\$ 2,241,261</b>	<b>\$ 1,965,473</b>	<b>\$ 114,761</b>	<b>\$ 676,456</b>	<b>\$ 222,745</b>	<b>\$ 516,035</b>	<b>\$ 5,736,731</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Vouchers payable	\$ 157,467	\$ 3,477	\$ 940	\$ 13,596	\$ -	\$ -	\$ 175,480
Accrued and other liabilities	-	1,500	-	-	-	-	1,500
Due to other funds	4,889	-	113,821	-	-	-	118,710
<b>Total liabilities</b>	<b>162,356</b>	<b>4,977</b>	<b>114,761</b>	<b>13,596</b>	<b>-</b>	<b>-</b>	<b>295,690</b>
<b>Fund Balances - Unreserved</b>							
Undesignated	473,905	1,818,116	-	654,010	165,369	516,035	3,627,435
Designated	1,605,000	142,380	-	8,850	57,376	-	1,813,606
<b>Total fund balances</b>	<b>2,078,905</b>	<b>1,960,496</b>	<b>-</b>	<b>662,860</b>	<b>222,745</b>	<b>516,035</b>	<b>5,441,041</b>
<b>Total liabilities and     fund balances</b>	<b>\$ 2,241,261</b>	<b>\$ 1,965,473</b>	<b>\$ 114,761</b>	<b>\$ 676,456</b>	<b>\$ 222,745</b>	<b>\$ 516,035</b>	<b>\$ 5,736,731</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2004**

Nonmajor Debt Service Funds			Nonmajor Capital Projects Funds			Total Nonmajor
Building Authority	Police Facility	Total Debt Service Funds	Fire Facility	Police Facility	Total Capital Projects Funds	Governmental Funds
\$ 136,682	\$ 125,274	\$ 261,956	\$ 5,111,126	\$ 91,701	\$ 5,202,827	\$ 10,941,091
-	104,745	104,745	-	-	-	104,745
-	-	-	-	-	-	22,683
-	-	-	4,338	-	4,338	6,269
-	-	-	-	-	-	114,048
-	-	-	-	-	-	7,000
-	-	-	-	-	-	114,761
<b>\$ 136,682</b>	<b>\$ 230,019</b>	<b>\$ 366,701</b>	<b>\$ 5,115,464</b>	<b>\$ 91,701</b>	<b>\$ 5,207,165</b>	<b>\$ 11,310,597</b>
\$ -	\$ -	\$ -	\$ 348,912	\$ 6,620	\$ 355,532	\$ 531,012
-	-	-	-	-	-	1,500
4,500	-	4,500	-	-	-	123,210
4,500	-	4,500	348,912	6,620	355,532	655,722
132,182	230,019	362,201	4,766,552	85,081	4,851,633	8,841,269
-	-	-	-	-	-	1,813,606
132,182	230,019	362,201	4,766,552	85,081	4,851,633	10,654,875
<b>\$ 136,682</b>	<b>\$ 230,019</b>	<b>\$ 366,701</b>	<b>\$ 5,115,464</b>	<b>\$ 91,701</b>	<b>\$ 5,207,165</b>	<b>\$ 11,310,597</b>

# Charter Township of Clinton

	Nonmajor Special Revenue Funds						
	Capital Improvement Revolving	Drainage	Community Development Block Grant	Postemployment Benefit	Drug Forfeiture	Street Lighting	Total Special Revenue Funds
<b>Revenue</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 323,924	\$ 323,924
Special assessments	175,800	-	-	-	-	-	175,800
Federal sources	-	-	453,126	-	-	-	453,126
Interest	37,337	14,364	-	3,937	1,375	2,636	59,649
Other revenue	241,091	273,306	67,338	263,861	136,754	-	982,350
Total revenue	454,228	287,670	520,464	267,798	138,129	326,560	1,994,849
<b>Expenditures</b>							
Current:							
General government	165,706	-	520,464	-	-	-	686,170
Public safety	695,444	-	-	-	178,038	-	873,482
Public works	-	115,037	-	-	-	268,625	383,662
Recreation and senior activities	323,052	-	-	-	-	-	323,052
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	1,184,202	115,037	520,464	-	178,038	268,625	2,266,366
<b>Excess of Revenue Over (Under) Expenditures</b>	(729,974)	172,633	-	267,798	(39,909)	57,935	(271,517)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	-	-	-	-	-
Transfers out	(18,228)	-	-	-	-	-	(18,228)
Total other financing sources (uses)	(18,228)	-	-	-	-	-	(18,228)
<b>Net Change in Fund Balances</b>	(748,202)	172,633	-	267,798	(39,909)	57,935	(289,745)
<b>Fund Balances - Beginning of year</b>	2,827,107	1,787,863	-	395,062	262,654	458,100	5,730,786
<b>Fund Balances - End of year</b>	<b>\$ 2,078,905</b>	<b>\$ 1,960,496</b>	<b>\$ -</b>	<b>\$ 662,860</b>	<b>\$ 222,745</b>	<b>\$ 516,035</b>	<b>\$ 5,441,041</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended March 31, 2004**

Nonmajor Debt Service Funds			Nonmajor Capital Projects Funds			Total Nonmajor
Building Authority	Police Facility	Total Debt Service Funds	Fire Facility	Police Facility	Total Capital Projects Fund	Governmental Funds
\$ -	\$ 1,191,101	\$ 1,191,101	\$ -	\$ -	\$ -	\$ 1,515,025
-	-	-	-	-	-	175,800
-	-	-	-	-	-	453,126
769	2,139	2,908	93,863	3,982	97,845	160,402
-	-	-	-	-	-	982,350
769	1,193,240	1,194,009	93,863	3,982	97,845	3,286,703
6,078	-	6,078	-	-	-	692,248
-	558	558	3,505,020	275,308	3,780,328	4,654,368
-	-	-	-	-	-	383,662
-	-	-	-	-	-	323,052
180,223	475,000	655,223	-	-	-	655,223
192,265	577,687	769,952	-	-	-	769,952
378,566	1,053,245	1,431,811	3,505,020	275,308	3,780,328	7,478,505
(377,797)	139,995	(237,802)	(3,411,157)	(271,326)	(3,682,483)	(4,191,802)
372,485	-	372,485	-	-	-	372,485
-	-	-	(163,964)	-	(163,964)	(182,192)
372,485	-	372,485	(163,964)	-	(163,964)	190,293
(5,312)	139,995	134,683	(3,575,121)	(271,326)	(3,846,447)	(4,001,509)
137,494	90,024	227,518	8,341,673	356,407	8,698,080	14,656,384
<u>\$ 132,182</u>	<u>\$ 230,019</u>	<u>\$ 362,201</u>	<u>\$ 4,766,552</u>	<u>\$ 85,081</u>	<u>\$ 4,851,633</u>	<u>\$ 10,654,875</u>

# Charter Township of Clinton

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds March 31, 2004

	Pension and Other Employee Benefit Trust Funds			Agency Funds			
	Fire and Police Pension System	Public Employee Healthcare	Total	Tax Collection	Cash Bond	Trust and Agency	Total
<b>Assets</b>							
Cash and investments	\$ 71,737,585	\$ 7,467,720	\$ 79,205,305	\$ 4,643	\$ 620,720	\$ 683,049	\$ 1,308,412
Cash and investments held as collateral for securities lending	8,273,876	-	8,273,876	-	-	-	-
Due from other governmental units	-	-	-	3,365	-	-	3,365
Total assets	<u>\$ 80,011,461</u>	<u>\$ 7,467,720</u>	<u>\$ 87,479,181</u>	<u>\$ 8,008</u>	<u>\$ 620,720</u>	<u>\$ 683,049</u>	<u>\$ 1,311,777</u>
<b>Liabilities</b>							
Benefits payable and other liabilities	\$ 651,399	\$ -	\$ 651,399	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	-	-	-	8,008	-	-	8,008
Refundable bonds and deposits	-	-	-	-	620,720	683,049	1,303,769
Collateral for securities lending	8,273,876	-	8,273,876	-	-	-	-
Total liabilities	8,925,275	-	8,925,275	<u>\$ 8,008</u>	<u>\$ 620,720</u>	<u>\$ 683,049</u>	<u>\$ 1,311,777</u>
<b>Net Assets - Held in trust for pension and other employee benefits</b>	<u>71,086,186</u>	<u>7,467,720</u>	<u>78,553,906</u>				
Total liabilities and net assets	<u>\$ 80,011,461</u>	<u>\$ 7,467,720</u>	<u>\$ 87,479,181</u>				

# Charter Township of Clinton

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended March 31, 2004

	Fire and Police Pension System Trust	Public Employee Healthcare Fund	Total
<b>Additions</b>			
Contributions:			
Employee	\$ 702,599	\$ -	\$ 702,599
Township	1,853,582	-	1,853,582
Total contributions	2,556,181	-	2,556,181
Investment income:			
Interest and dividends	1,666,768	89,228	1,755,996
Net appreciation in fair value of investments	16,555,150	1,522,418	18,077,568
Less investment expenses	(327,747)	-	(327,747)
Net investment income	17,894,171	1,611,646	19,505,817
Securities lending income:			
Interest and fees	76,924	-	76,924
Less borrower rebates and fees	(68,719)	-	(68,719)
Net securities lending income	8,205	-	8,205
Total additions	20,458,557	1,611,646	22,070,203
<b>Deductions</b>			
Benefit payments	2,795,672	-	2,795,672
Administrative expenses	72,033	-	72,033
Total deductions	2,867,705	-	2,867,705
<b>Net Increase</b>	17,590,852	1,611,646	19,202,498
<b>Net Assets Held in Trust for</b>			
<b>Pension Benefits</b>			
Beginning of year	53,495,334	5,856,074	59,351,408
End of year	<u>\$ 71,086,186</u>	<u>\$ 7,467,720</u>	<u>\$ 78,553,906</u>

# **Charter Township of Clinton Macomb County, Michigan**

---

**Federal Awards  
Supplemental Information  
March 31, 2004**



# **Charter Township of Clinton Macomb County, Michigan**

---

## **Contents**

Independent Auditor's Report	I
Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements	2-3
Report Letter on Compliance with Laws and Regulations and Internal Control - Major Federal Awards	4-5
Schedule of Expenditures of Federal Awards	6
Note to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8-9



**Plante & Moran, PLLC**  
Suite 200  
10 S. Main St.  
Mount Clemens, MI 48043  
Tel: 586.465.2200  
Fax: 586.469.0165  
plantemoran.com

## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

We have audited the basic financial statements of the Charter Township of Clinton for the year ended March 31, 2004 and have issued our report thereon dated July 9, 2004. Those basic financial statements are the responsibility of the management of the Charter Township of Clinton. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Charter Township of Clinton taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

July 9, 2004



A worldwide association of independent accounting firms

Report Letter on Compliance with Laws and Regulations and  
Internal Control - Basic Financial Statements

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

We have audited the financial statements of the Charter Township of Clinton as of and for the year ended March 31, 2004 and have issued our report thereon dated July 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Charter Township of Clinton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Clinton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

This report is intended solely for the information and use of the Township Board, the U.S. Department of Housing and Urban Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

July 9, 2004

Report Letter on Compliance with Laws and Regulations and  
Internal Control - Major Federal Awards

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

**Compliance**

We have audited the compliance of the Charter Township of Clinton with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended March 31, 2004. The major federal program of the Charter Township of Clinton is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Charter Township of Clinton's management. Our responsibility is to express an opinion on the Charter Township of Clinton's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Clinton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Clinton's compliance with those requirements.

In our opinion, the Charter Township of Clinton complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 03-01.

To the Board of Trustees  
Charter Township of Clinton  
Macomb County, Michigan

### **Internal Control Over Compliance**

The management of the Charter Township of Clinton is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Clinton's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Charter Township of Clinton's ability to administer a major federal program in accordance with applicable requirements of laws, regulation, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters of internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Township Board, the U.S. Department of Housing and Urban Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

July 9, 2004

# Charter Township of Clinton Macomb County, Michigan

## Schedule of Expenditures of Federal Awards Year Ended March 31, 2004

Federal Agency/Pass through Agency/ Program Title	CFDA Number	Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development - Community Development Block Grant:	14.218			
Program year 2001		B-01-MC-26-0033	\$ 668,000	\$ 85,612
Program year 2002		B-02-MC-26-0033	641,000	347,894
Program year 2003		B-03-MC-26-0033	650,000	19,620
Total U.S. Department of Housing and Urban Development			1,959,000	453,126
U.S. Department of Justice:				
Bulletproof Vest Partnership Grant:	16.607			
Program year 2002		N/A	3,236	3,236
Program year 2003		N/A	5,708	5,708
Total Bulletproof Vest Partnership Grant			8,944	8,944
Bureau of Justice Assistance Law Enforcement Block Grant:	16.592			
Program year 2002		2002-LB-BX-1322	123,141	984
Program year 2003		2003-LB-BX-0828	119,636	-
Total Bureau of Justice Assistance Law Enforcement Block Grant			242,777	984
Total U.S. Department of Justice			251,721	9,928
Department of Homeland Security:				
Year 2002 State Domestic Preparedness Program:	97.004			
Township		N/A	85,228	66,590
Regional Response Team Network		N/A	30,000	16,530
Year 2003 State Domestic Preparedness Program:	97.004			
Solution area planner		N/A	43,000	3,750
Training grant		N/A	67,450	650
Total State Domestic Preparedness Program			225,678	87,520
Assistance to firefighters	97.044	EMW-2002-FG15192	30,691	30,691
Emergency Public Assistance Project 099-16520	97.036	FEMA-3189	21,687	21,687
Emergency Management Assistance Grant (EMPG)	97.042	N/A	11,215	11,215
2002 Supplemental Planning Grant	97.051	N/A	18,953	18,953
Total Department of Homeland Security			308,224	170,066
U.S. Department of Transportation - Office of Highway Safety Planning - Passed through the Michigan Department of State police:				
Alcohol traffic safety and drunk driving prevention	20.601	N/A	17,908	17,908
State and community highway safety - Seatbelt	20.600	N/A	9,709	9,709
Total U.S. Department of Transportation			27,617	27,617
Total federal programs			<u>\$ 2,546,562</u>	<u>\$ 660,737</u>

# **Charter Township of Clinton Macomb County, Michigan**

---

## **Note to Schedule of Expenditures of Federal Awards Year Ended March 31, 2004**

### **Note - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Clinton and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



# Charter Township of Clinton Macomb County, Michigan

## Schedule of Findings and Questioned Costs Year Ended March 31, 2004

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster
14.218	U.S. Department of HUD - Direct programs - Community Development Block Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

# Charter Township of Clinton Macomb County, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2004

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

Reference Number	Findings
03-01	<p><b>Program Name</b> - Community Development Block Grant - 14.218</p> <p><b>Finding Type</b> - Reportable condition and material noncompliance</p> <p><b>Condition</b> - During the year ended March 31, 2004, the Township was reimbursed \$24,629 through the Community Development Block Grant to cover costs incurred to provide recreation activities to senior citizens and other limited clientele. The Township did not amend their action plan to include the reimbursement of these costs and as such they are not allowable.</p> <p><b>Questioned Costs</b> - \$24,629</p> <p><b>Recommendation</b> - The questioned costs should be reimbursed to the Community Development Block Grant. If such costs are to be incurred in the future, the Township's action plan should be amended to include these costs.</p> <p><b>Grantee Response</b> - The questioned costs will be reimbursed by the Township's General Fund during the year ended March 31, 2005. Also, the Township will amend their action plan to include such activities in the future.</p>

September 17, 2004

Board of Trustees  
Charter Township of Clinton  
40700 Romeo Plank Road  
Clinton Township, Michigan 48038

Dear Board Members:

We recently completed our audit of the financial statements of the Charter Township of Clinton for the year ended March 31, 2004. In addition to the audit report, we offer following comments and recommendations for your review and consideration:

### **NEW FINANCIAL STATEMENT FORMAT (GASB 34)**

As you are aware, Governmental Accounting Standards Board (GASB) Statement No. 34 was implemented for the Township's 2003 fiscal year. GASB 34 has dramatically changed the look and feel of the financial statements. While the financial statements retain an element of familiarity with the continued reporting of fund based information, there are several additions and changes that provide information never before presented in the Township's annual financial report. A brief summary of the changes are as follows:

- Management Discussion and Analysis (MD&A): The MD&A provides a high-level overview of the Township's financial position and results of operations, with a focus on the government-wide financial statements.
- Government-Wide Financial Statements: These additional statements adjust the normal fund-based statements into a combined, full-accrual format (similar to for-profit commercial enterprises). This allows a financial statement reader to see the Township from a longer term, economic perspective (i.e., are today's taxpayers paying for today's services?). These statements show capital assets as well as long term debt as part of the Township's overall financial picture.
- Focus on Major Funds: The fund based financial statements now focus on the Township's most significant funds (designated as "major funds"). For 2004, the Township's major governmental funds are the General Fund and the Fire Fund. All of the Township's enterprise funds; the Water and Sewer Fund, Senior Housing Fund, Sanitation Fund and Special Assessment Fund are also considered to be major funds.
- Budget Comparison: A financial statement reader will now be able to view not only the actual revenues and expenditures for the Township's General Fund and major special revenue funds as compared to the current budget, but also as compared to the original budget.

Capital assets, including infrastructure, play a significant part of the new financial statements. The accumulation of this information required significant investment of the Township's resources, both financial and non-financial, primarily in the form of a physical appraisal performed by an outside party with the assistance of Township personnel. The detailed asset information obtained will most likely also be useful for insurance and asset control purposes. Currently, this detail is being maintained in a spreadsheet program, which may be more susceptible to undetected errors (i.e., over-depreciating assets, formula errors, etc.). For this reason, we recommend that the data be transferred into a software program specifically designed to account for fixed assets, which includes tracking the depreciation of those assets.

### **FINANCIAL CONDITION AT MARCH 31, 2004**

During the year ended March 31, 2004, the fund balance of the General Fund decreased \$717,139 to \$15,952,710. This decrease in fund balance is the result of the continued reduction in state shared revenue which offset the increase in property tax revenue, along with increases to various expense categories, particularly healthcare costs.

### **INTERNAL CONTROL AND FRAUD PREVENTION**

Designing and maintaining a sound system of internal controls over Township assets, as well as fraud prevention and detection, are on the forefront in today's business environment. As part of our audit of the Township's 2004 financial statements, we performed additional procedures as required by Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit* (SAS 99). While SAS 99 does not change the focus of the financial statement audit to a "fraud audit," the new standard incorporates a change in mindset for auditors to search for and identify significant fraud risk factors. SAS 99 requires auditors to perform specific procedures to search for significant fraud risk factors, including inquiries with certain members of the Board of Trustees, management and other employees throughout the municipality; a retrospective review of accounting estimates; a detailed review of all journal entries; and other related procedures. We are pleased to report that no significant fraud risk factors or instances of fraud were identified as a result of our procedures.

As part of the Township's process of continuous improvement, we noted the following internal control matter that we would like to bring to your attention for consideration. The Township does not currently have a formal policy in place to provide controls over wire transfers and ACH transactions. As the level of electronic banking transactions increases, it is important to have the proper controls in place to safeguard the Township assets.

### **REVENUE SHARING ESTIMATES**

As you are aware, the slowdown in the State's economy continues to directly impacting revenue sharing payments. State shared revenue accounts for approximately 28 percent of the Township's General Fund revenues. Though the State's sales tax collections (the sole source of revenue sharing payments to local units of government) have been near what was expected, the State continues to experience budget problems as a result of disappointing collections of State income tax and single business tax. As a result, revenue sharing payments for the State's fiscal year ending September 30, 2004, are expected to be less than originally projected.

As has been well publicized, the State passed several revenue sharing reductions for the State's fiscal year ended September 30, 2004. The net effect of these cuts (statewide) results in approximately 3% less in 2003-2004 than in the prior year, despite an overall slight increase in sales tax collections. It is not yet known if there will be additional revenue sharing cuts for fiscal year 2005, as the governor's proposed September 30, 2005 budget holds the state revenue sharing payments at the reduced 2003/2004 levels. However, this is tied to a plan to accelerate county tax collections which still must be passed by the Michigan House of Representatives. If the bill fails, revenue sharing could suffer an across the board cut of 17%.

We recommend that the Township continue to evaluate the impact of the revenue sharing reductions as you amend your 2005 budget and plan for your 2006 budget. Updated information can be obtained from the Department of Treasury's web site at <http://www.treas.state.mi.us/apps/findrevshareinfo.asp> or by calling the Office of Revenue and Tax Analysis at (517) 373-2697. We will continue to update the Township as developments occur.

## **FEDERAL PROGRAMS**

During our audit of the Township's federal programs, we encountered the following items which we would like to bring to your attention.

- During testing of disbursement and expenditure activity, we encountered 4 checks relating to the Community Development Block Grant (CDBG) which had proper departmental approval, but did not have the approval of the Assistant Director of Planning and Community Development prior to disbursement. This individual has oversight responsibility for the CDBG program and we remind you that all expenditures for this program must be reviewed and approved by this individual prior to payment.
- During testing of disbursement and expenditure activity for the Community Development Block Grant (CDBG) we also noted an expenditure which has been disallowed by HUD and as such is a finding on the A-133 Federal Program audit. We recommend that the Township clarify any potentially questionable expenditures with HUD prior to obtaining reimbursement from the CDBG program.
- Federal revenues were down for the year ended March 31, 2004 versus those received in the prior year. Especially in these tight economic times we recommend the Township apply for as many federal grants as possible. We would be happy to provide assistance to the Township regarding federal grants and the ability to effectively utilize the federal funding that is currently in place.

## **REMOTE LOCATION CASH**

While the Township has implemented formal policies governing cash receipt procedures, it is common for these procedures to not be fully implemented or adhered to at cash receipt locations outside of the main municipal offices. We noted that the bank reconciliations for the Senior Housing Center are prepared by the management company engaged by the Township, but are not reviewed by Township personnel. We strongly encourage the Township conduct periodic internal audits of cash receipts and other internal control procedures at remote Township locations such as the Township's Senior Housing Center.

## **NEW COMPUTER SYSTEM**

With the Township's pending transition to the Munis Financial Reporting and Accounting system we would like to mention various items that have come to our attention during our audit. These items should be reviewed during the implementation of the new system. Certain manual procedures should be considered for inclusion in the new system. At a minimum, manual lists and schedules should be maintained in electronic spreadsheets. Our observations are as follows:

- The Township is not currently preparing a detailed accounts receivable listing on a monthly basis for water and sewer customer balances. With the new accounting system, we encourage a monthly receivable listing be generated, along with an aging of the various receivable balances.
- The listing of water and sewer lead deposits is maintained on a manual list with no totals summarized. The listing should be maintained electronically with totals.
- The Township has a liability recorded for various fees it had collected from developers which must be remitted to the outside engineering firm engaged by the Township to manage various water and sewer projects. The Township does not have an internally generated detailed list to support the balance. While the Township does receive a detailed report from the engineering firm, we recommend that a detailed listing be maintained by the Township to ensure accuracy of the payments
- We noted that passwords utilized to access the accounting system are not changed on a consistent basis. We recommend that a formal policy be adopted to ensure access to the computer system is properly restricted to authorized users.

## **EMPLOYEE BENEFITS**

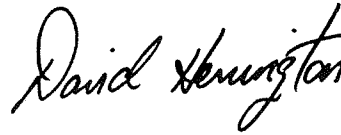
The Township offers multiple health insurance plans to its employees. These plans have varying costs. In an effort to control health care costs, the Township may consider reviewing its current opt out provisions to determine if adjusting monetary incentives would reduce the total cost of health insurance to the Township. There are varying options available under this type of cafeteria plan. We would be happy to discuss the mechanics of such a program and the potential savings to the Township as well as other benefits which can be offered through a formal employee benefits review.

September 17, 2004

We would like to thank the Board for the opportunity to serve as auditors for the Township. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

**PLANTE & MORAN, PLLC**

A handwritten signature in black ink, reading "David W. Herrington". The signature is written in a cursive style with a large, prominent "D" and "H".

David W. Herrington

A handwritten signature in black ink, reading "Chris Ritter". The signature is written in a cursive style with a large, prominent "C" and "R".

Christian S. Ritter